

# SPECIAL NOTICE

August 7, 2001

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## **PUBLIC UTILITY TAX DEDUCTIONS FOR WATER CONSERVATION MEASURES**

Engrossed Substitute House Bill 1832 (Chapter 237, Laws of 2001) adds a new section to Chapter 82.16 to allow water distribution businesses tax credits for promoting water conservation measures which will reduce water usage by customers of public water systems.

Beginning May 10, 2001, water distribution businesses are allowed to deduct 75 percent of amounts expended to improve consumers' efficiency of water use or to otherwise reduce the use of water by consumers. These deductions are identified on the Deduction Detail of the Combined Excise Tax Return as "Conservation Expenditures."

To qualify for the program, the expenditures made by water distribution businesses to improve consumers' efficient use of water must be measures contained in the conservation plan within a state approved Water System Plan or Small Water System Management Program.

Measures that will reduce customers' use of water include but are not limited to:

- 1) Implementing water conservation and outreach programs (e.g., distributing shower flow restrictors, toilet tank water displacement devices and leak detection due tablets).
- 2) Providing or encouraging water efficient fixtures (e.g., providing fixtures at no cost or reduced cost, or offering rebates for customer purchased fixtures).
- 3) Providing low water use plants for landscaping.
- 4) Providing customer-based landscaping conservation equipment (e.g., moisture sensors, flow timer low-volume sprinklers and drip irrigation systems).
- 5) Implementing a rate structure that promotes conservation that includes multi-year comparative usage figures in billing statements.

Water distribution businesses may include costs related to the actual implementation and administration of qualified programs. Examples of these types of costs would be salaries and advertising.

Example: ABC Water distribution business has \$50,000 in taxable revenue for Quarter 3, 2001 and \$5,000 is spent on eligible conservation measures. ABC Water distribution business would report

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\$50,000 in column 1 of the State Public Utility Tax section of the Combined Excise Tax Return. Under column 2 a deduction for \$3,750 (75% of \$5,000) would be taken leaving a taxable amount under column 3 \$46,250. The \$3,750 deduction would be identified on the deduction page of the Combined Excise Tax Return as "Conservation Expenditures."

Additionally, water distribution businesses holding permits to generate and distribute reclaimed water for commercial and industrial uses under RCW 90.46.030 are allowed to exempt 75 percent of income generated from the sale of reclaimed water. This exemption is identified on the Deduction Detail of the Combined Excise Tax Return as "Reclaimed Water."

Both incentive plans expire on June 30, 2003.

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